

**MINUTES
REGULAR MEETING
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**Friday, December 19, 2008
8:30 a.m., MST**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room, 3300 N. Central Avenue, Phoenix, Arizona. Mr. Michael Townsend, Chair of the ASRS Board, delegated the oversight of the meeting to Mr. Dave Byers, Vice-chair, because Mr. Townsend participated via phone. Mr. Byers called the meeting to order at 8:31 a.m., MST.

The meeting was teleconferenced to the ASRS office at 7660 E. Broadway, Tucson, Arizona 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Michael Townsend, Chair (via teleconference)
Mr. Dave Byers, Vice-chair
Mr. Chris Harris
Mr. Jaime Gutierrez (via teleconference)
Mr. Jim McLaughlin
Dr. Keith Meredith
Mr. Larry Trachtenberg (arrived at 8:35 a.m.)
Mr. Steve Zeman
Mr. Tom Connelly

A quorum was present for the purpose of conducting business.

2. Presentation and Discussion Regarding the PRIDE Award for Excellence

Mr. Paul Matson, Director, presented the PRIDE Award for Excellence to the ASRS Brand Team. The Brand Team was nominated by their peers as a team committed to service excellence. This team exemplifies the PRIDE qualities of excellence: *"I am passionate, energetic and adaptable to change; I care about everyone I serve – and it shows; I take personal interest in providing a quality experience; and I am thorough and willing to go the extra mile."* The members of the Brand Team are David Cannella, Maurah Harrison, Jeff Hickman, Jean Langston, Julie Lockwood, Sara Orozco, Pam Vozza, Gayle Williams, Tamera Wilson, Debbora Woods-Schmitt, Kevin Young, and Frida Zilberman.

Mr. Larry Trachtenberg arrived at 8:35 a.m.

3. Approval of the Minutes of the November 21, 2008 Regular Session of the ASRS Board

Motion: Mr. Steve Zeman moved to approve the minutes of the November 21, 2008, Regular Session of the ASRS Board.

Mr. Chris Harris seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

4. Approval, Modification or Rejection of Recommended Administrative Law Judge's Decision Regarding Ms. Ida Vasquez

Mr. Thomas McClory, Assistant Attorney General, stated Ms. Ida Vasquez asserts that she has survivor benefits due to her from the ASRS. Mr. McClory explained that Ms. Vasquez's ex-husband, who passed away several years ago, had elected a straight life annuity and therefore there is no survivor benefit due to Ms. Vasquez.

Ms. Eileen Sullivan, counsel for Ms. Vasquez, stated that the retirement benefit should be treated as community property and therefore Ms. Vasquez is due survivor benefits.

Mr. McClory stated that there are several statutes in place that show Ms. Sullivan's claim does not apply to this situation.

Motion: Mr. Tom Connelly moved to accept the ruling of the Administrative Law Judge.

Mr. Larry Trachtenberg seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

5. Presentation, Discussion and Appropriate Action Regarding the 2009 Legislative Session

Mr. Patrick Klein, Assistant Director External Affairs, and Ms. Lesli Sorensen, Government Relations Officer, addressed the Board regarding the 2009 Legislative Session. Ms. Sorensen gave a general update and stated the 2009 legislative session would begin in early January.

6. Presentation, Discussion and Appropriate Action Regarding Supplemental Retirement Savings Plan (SRSP) Amendment

Mr. Patrick Klein and Ms. Lesli Sorensen addressed the Board regarding the Supplemental Retirement Savings Plan (SRSP) Amendment. Ms. Sorensen stated the Internal Revenue Service (IRS) issued the 2007 Cumulative List of Changes in Plan Qualification Requirements on November 29, 2007. The ASRS is required to incorporate these changes via amendment and submit the amended Plan Statement to the IRS by January 31, 2009.

Generally, the changes contained in the Cumulative List represent changes required by the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA). Also included are the law changes by the Heroes Earnings Assistance and Relief Tax (HEART) Act of 2008, as well as other technical and conforming changes.

Motion: Mr. Chris Harris moved to adopt the ASRS Supplemental Retirement Savings Plan as it has been Fifth Amended and Restated, effective December 19, 2007, in the form circulated to the Board;

And;

Authorize and direct the Director of the ASRS to execute such Amended and Restated Plan for and on behalf of the Board.

Mr. Tom Connelly seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

Mr. Paul Matson stated that the date in the motion should be December 19, 2008, not December 19, 2007. The Trustees approved the correction through a motion.

Motion: Mr. Chris Harris moved to correct the date in the previous motion to December 19, 2008.

Mr. Tom Connelly seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, and 0 excused, the motion was approved.

7. Presentation, Discussion and Appropriate Action Regarding the Total Fund Presentation for Period Ending September 30, 2008

Mr. Terry Dennison addressed the Board regarding the ASRS Investment Performance for Period Ending September 30, 2008, highlighting specific areas of interest and concern.

Mr. Dennison reported on the Total Fund Performance for the period ending September 30, 2008.

	Quarter	1 Year	3 Years	5 Years	10 Years	Inception
Total Fund	-8.2%	-16.3%	1.9%	6.2%	5.3%	10.1%
Benchmark*	-8.4%	-15.6%	2.5%	6.2%	4.5%	9.9%
Excess Return	-0.2%	-0.7%	-0.6%	0.0%	0.8%	0.2%

* Interim Benchmark (current): 38% S&P 500, 7% S&P 400, 7% S&P 600, 27% LB Aggregate, 19% MSCI ACWI ex US, and 2% NPI+100 bps. Note: Interim Benchmark incorporates a proration of 4% real estate and 5% private equity.

Policy History:

- 7/1/75-12/31/79 – 40% S&P 500/60% LB Aggregate
 - 1/1/80-12/31/83 – 50% S&P 500/50% LB Aggregate
 - 1/1/84-12/31/91 – 60% S&P 500/40% LB Aggregate
 - 1/1/92-12/31/94 – 50% S&P 500/40% LB Aggregate/10% EAFE
 - 1/1/95-6/30/97 – 45% S&P 500/40% LB Aggregate/15% EAFE
 - 7/1/97-12/31/99 – 50% S&P 500/35% LB Aggregate/15% EAFE
 - 1/1/00-9/30/03 – 53% S&P 500/30% LB Aggregate/17% EAFE
 - 10/1/03-12/31/06 – 53% S&P 500/26% LB Aggregate/15% MSCI EAFE/ACWI ex. US(1)/6% NCREIF+100 bps.
 - 1/1/07 – present – 31% S&P 500/7% S&P 400/7% S&P 600/26% LB Aggregate/18% MSCI ACWI ex US/6% NPI+100 bps/5% Russell 3000+300 bps
- (1) MSCI EAFE/ACWI ex. US Benchmark is the MSCI EAFE prior to 10/1/05 and the MSCI ACW ex. US thereafter.

8. Presentation, Discussion and Appropriate Action Regarding the Board Self-Evaluation Materials Distribution

Mr. Michael Townsend asked the Board members to complete the Board self-evaluation materials and return them to him before the February 20, 2009, Board meeting. Mr. Townsend stated he would like time to review the materials so he can prepare for the discussion in February.

9. Director's Report

Mr. Paul Matson stated that the Internal Audit Division reported no infractions within the Investment Management Division for the most recent period.

Mr. Matson also stated the ASRS currently has several Requests for Proposals in progress. Among them are searches for the ASRS custody bank, private equity legal representation, investment back office support, and the general investment consultant.

Mr. Matson also stated that although the ASRS is in a good position in regard to liquidity, staff has been monitoring liquidity very closely to make sure the ASRS stays in a good position, and as a result will likely be postponing future commitments to most private investments.

10. Possible Presentation Regarding Board Committee Updates

Mr. Jaime Gutierrez, Chair, External Affairs Committee (EAC), stated that the next EAC meeting will take place in February, 2009.

Mr. Chris Harris, Investment Committee (IC), stated that the next IC meeting will be January 6, 2009.

Mr. Dave Byers, Chair, Operations Committee (OC), stated that the OC meeting will be in February, 2009.

11. Board Requests for Agenda Items

There were no requests for agenda items.

12. Call to the Public

There were no requests to speak.

13. The next ASRS Regular Board meeting is scheduled for Friday, February 20, 2009, at 8:30 a.m., at 3300 N. Central Avenue, 10th Floor Board room, Phoenix, Arizona.

14. Adjournment of the ASRS Board

Mr. Byers adjourned the December 19, 2008, Board meeting at 11:01 a.m.

ARIZONA STATE RETIREMENT SYSTEM

Gayle Williams, Secretary

Date

Paul Matson, Director

Date